

AR49

June, 1978
Kitchener, Ontario

TO OUR SHAREHOLDERS:

Sales in dollars are up 17.7% for the second quarter of 12 weeks ended May 13, 1978, and up 15.9% for the first half year of 28 weeks compared to the same periods last year.

Our earlier pessimism about second quarter 1978 net earnings is borne out by a decrease of 6.8% from last year. With an increase of 7.3%, net earnings for the first half remain better than for the same period last year. Sharply rising costs were difficult to match with acceptable selling prices. While we continue to encounter intense competition in the marketplace in the third quarter, we are optimistic about net earnings for 1978.

Land has been obtained in Vancouver and Calgary in accordance with our plans for a distribution centre in each of these cities. They should be ready for use in 1979 or 1980. We have begun to use part of our new building at Kitchener for additional productive capacity.

While shareholders voted to give the company approval to buy back its Class B and Class C shares, no purchases have been made, nor are there any plans to purchase these or the common shares, at present.

Fred A. Schneider

Chairman of the Board

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Schneider Corporation

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KITCHENER, ONTARIO, CANADA N2G 3X8

2nd INTERIM REPORT

28 WEEKS

OCTOBER 30, 1977 - MAY 13, 1978

1978

SCHNEIDER CORPORATION
CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	Twenty-Eight Weeks Ended May 13 1978	Twenty-Eight Weeks Ended May 14 1977	Twelve Weeks Ended May 13 1978	May 14 1977
	(in thousands)		(in thousands)	
Sales	\$ 151,307	\$ 130,578	\$ 68,316	\$ 58,059
Earnings before income taxes	3,983	3,849	1,536	1,726
Income taxes payable and deferred	1,589	1,617	608	730
Net earnings	2,394	2,232	928	996
Earnings per share	89¢	83¢	34¢	37¢

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(Unaudited)

	Twenty-Eight Weeks Ended May 13 1978	Twenty-Eight Weeks Ended May 14 1977
	(in thousands)	
<u>Working Capital Derived From</u>		
Operations		
Net earnings for the period	\$ 2,394	\$ 2,232
Depreciation and amortization which do not involve working capital	1,677	1,433
	4,071	3,665
Increase in long term debt	—	9,000
Sale of fixed assets	29	22
Reduction in mortgages receivable	—	12
	4,100	12,699
<u>Working Capital Applied To</u>		
Additions to fixed assets	5,312	3,730
Dividends paid	578	188
Decrease in non-current portion of long term debt	15	13
	5,905	3,931
INCREASE (DECREASE) IN WORKING CAPITAL	(1,805)	8,768
WORKING CAPITAL AT BEGINNING OF PERIOD	18,984	12,774
WORKING CAPITAL AT END OF PERIOD	\$ 17,179	\$ 21,542

The company is subject to the Anti-Inflation Act which provides, as from October 14, 1975, for the restraint of profit margins, prices, dividends, and compensation. In the opinion of management, the company is in compliance with the provisions of the Act.